

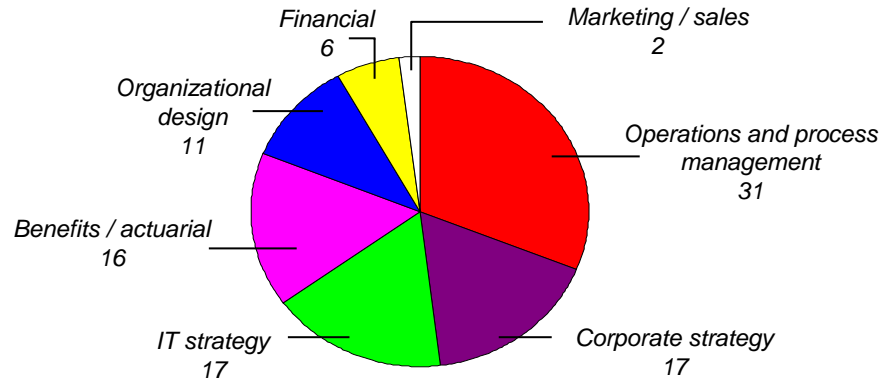


**What is operations management?**

## Operations management defined

*Operations management is the activity of managing the resources which are devoted to the production and delivery of products and services.*

## The consultancy services market – % of world revenues of 40 largest consultancy firms

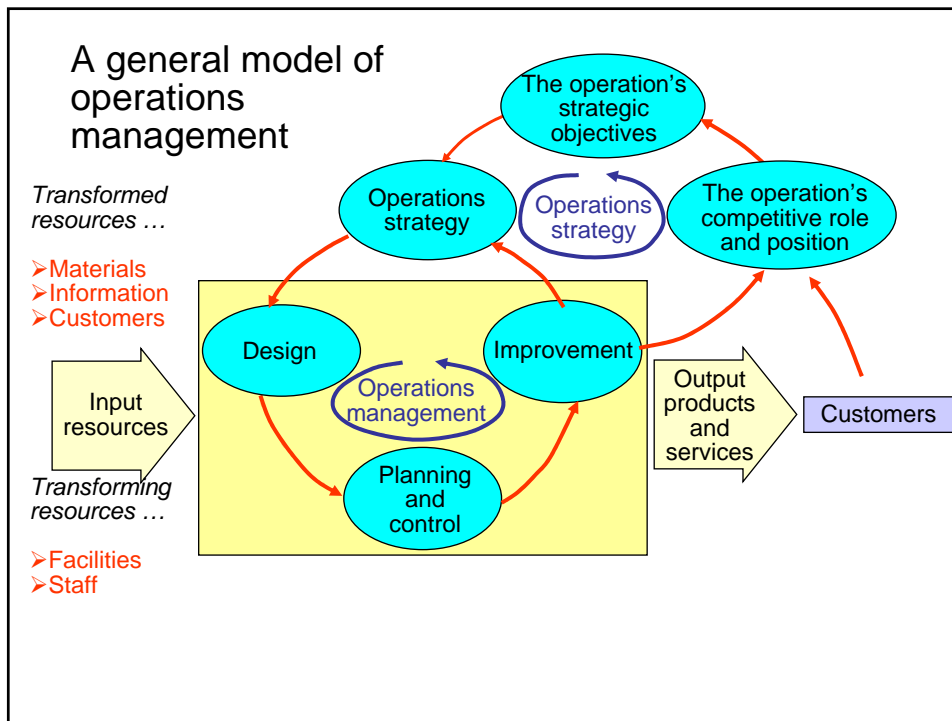


*The operations function is fashionable!*

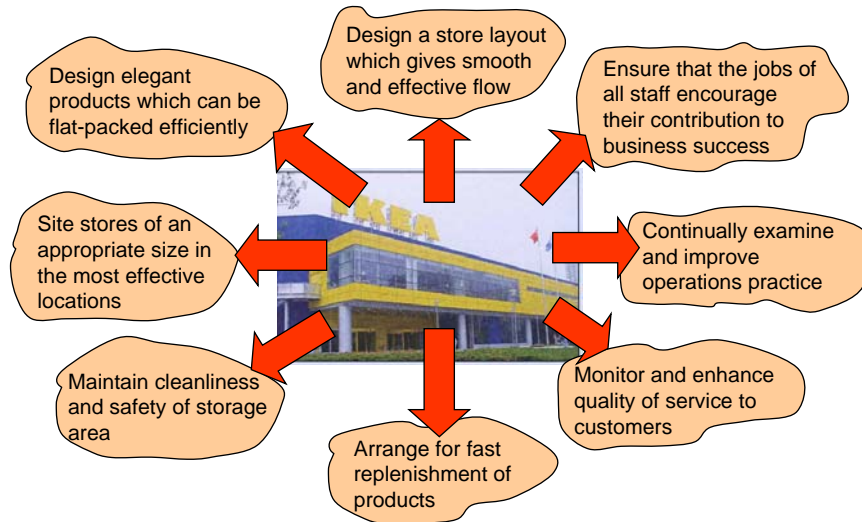


They are all  
*operations*

- The best way to start understanding the nature of '*operations*' is to look around you
- Everything you can see around you (except the flesh and blood) has been *processed* by an *operation*
- Every service you consumed today (radio station, bus service, lecture, etc.) has also been *produced* by an *operation*
- Operations Managers *create* everything you buy, sit on, wear, eat, throw at people, and throw away



## Operations management at IKEA

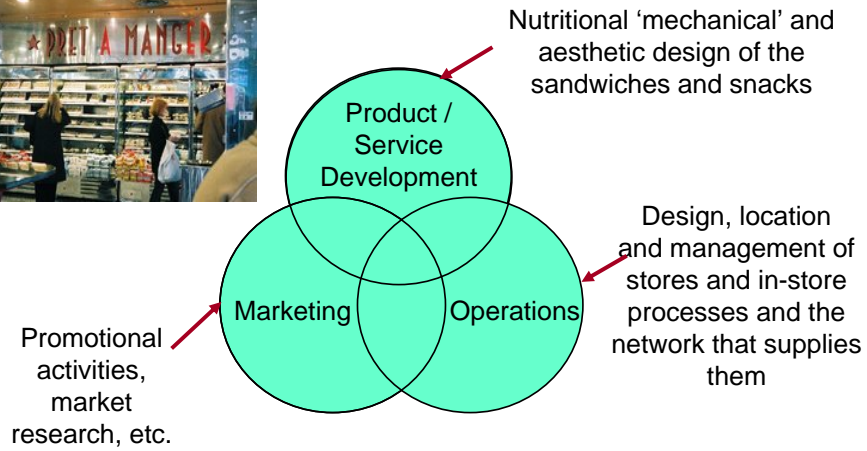


## Prêt a Manger

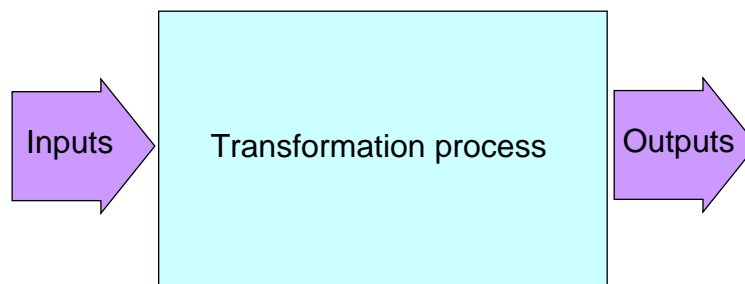


- 'High-end' sandwich and snack retailer
- Uses only 'wholesome' ingredients
- All shops have own kitchens, which make fresh sandwiches every day
- Fresh ingredients delivered early every morning
- The same staff who serve you at lunch made the sandwiches that morning
- *"We don't work nights, we wear jeans, we party ..."*

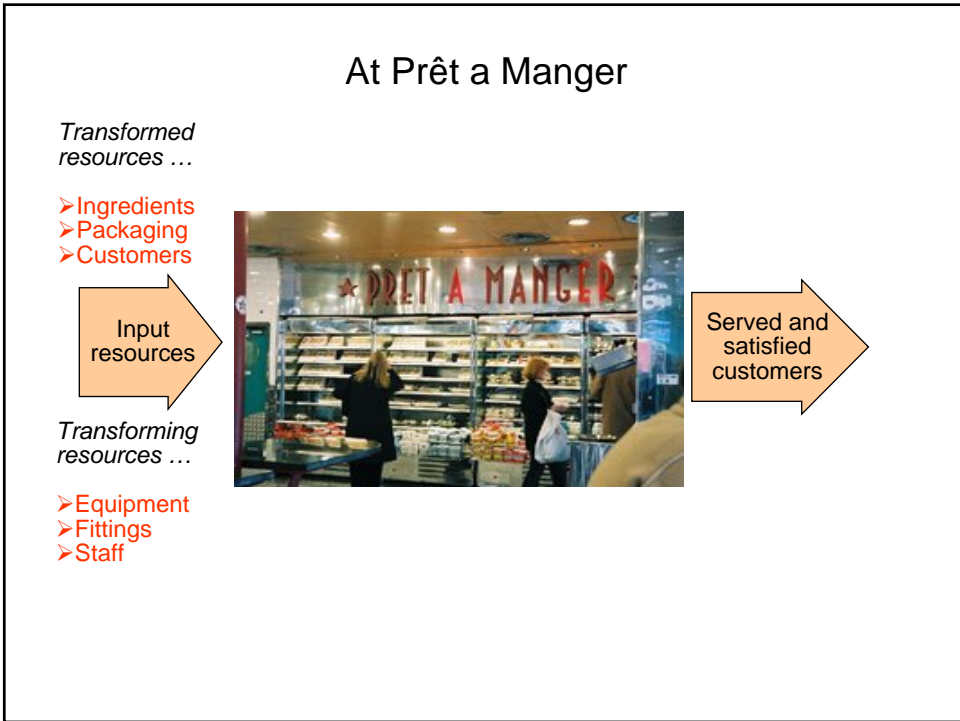
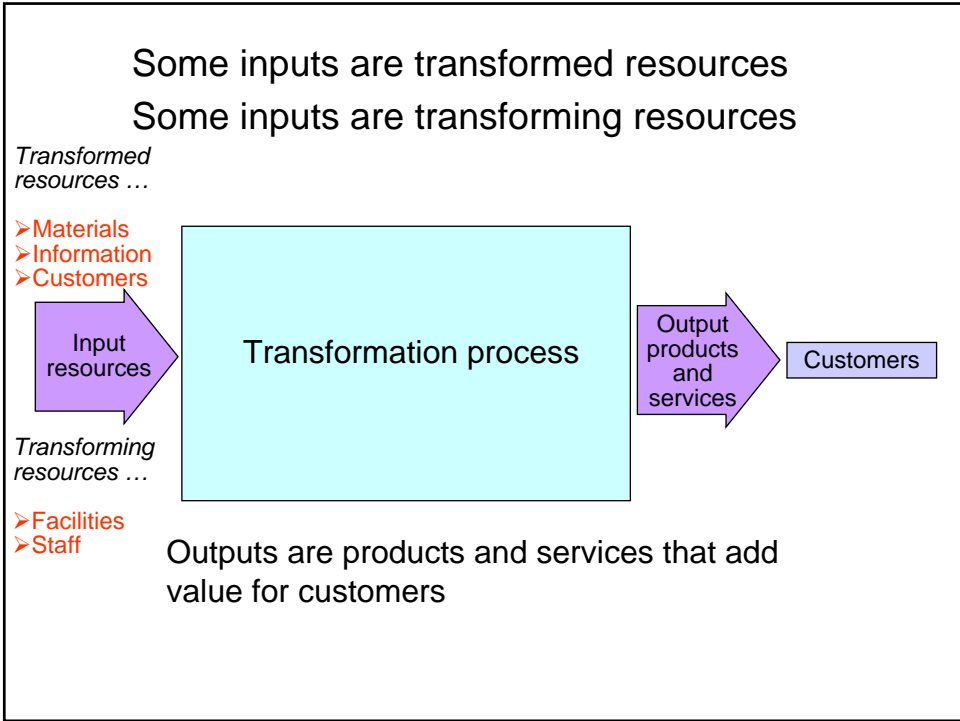
## The three basic functions at **Prêt a Manger**



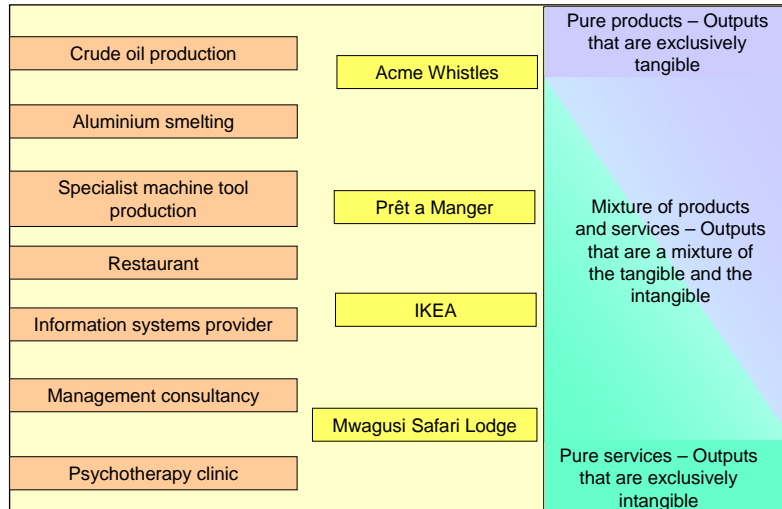
All operations are transformation processes ...



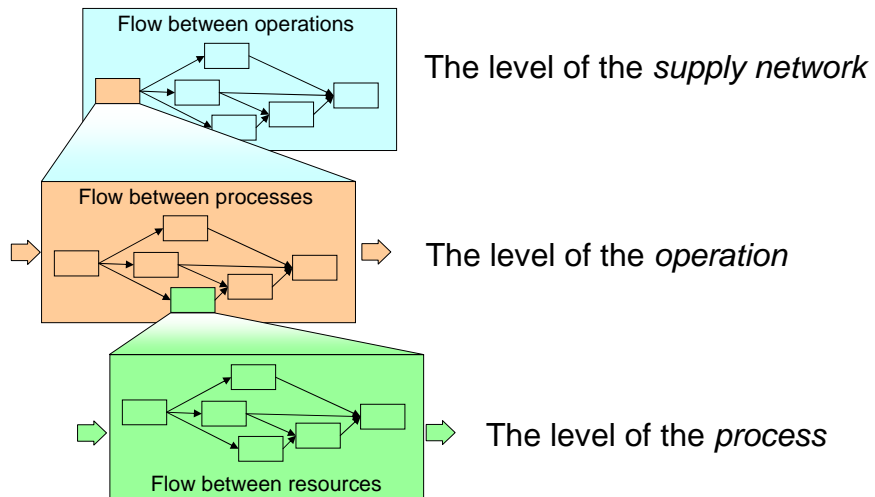
that transform inputs ...  
into outputs

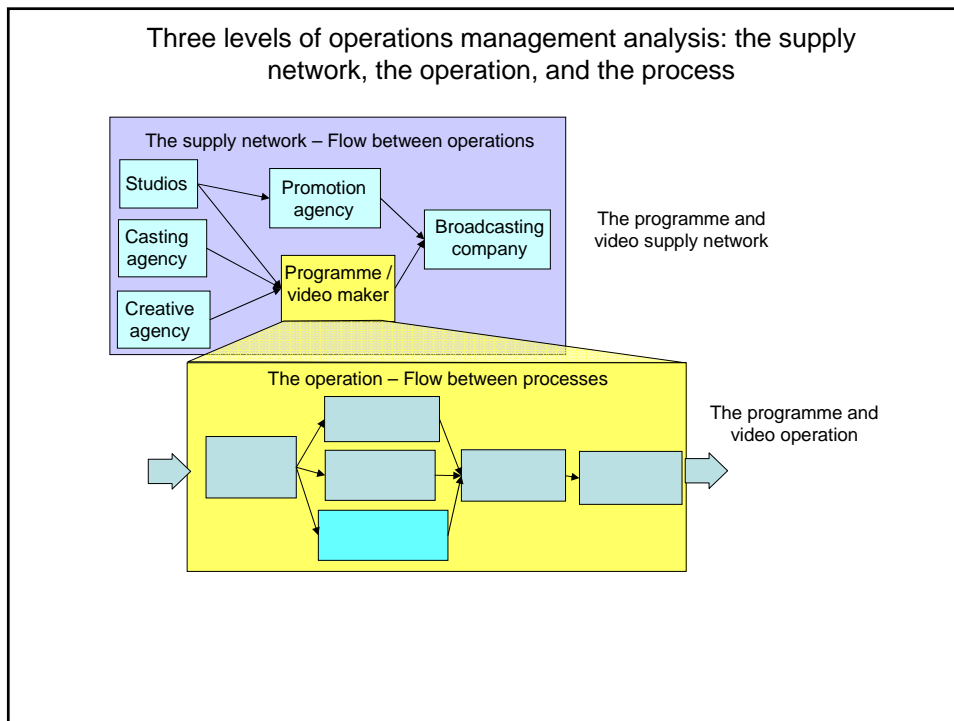
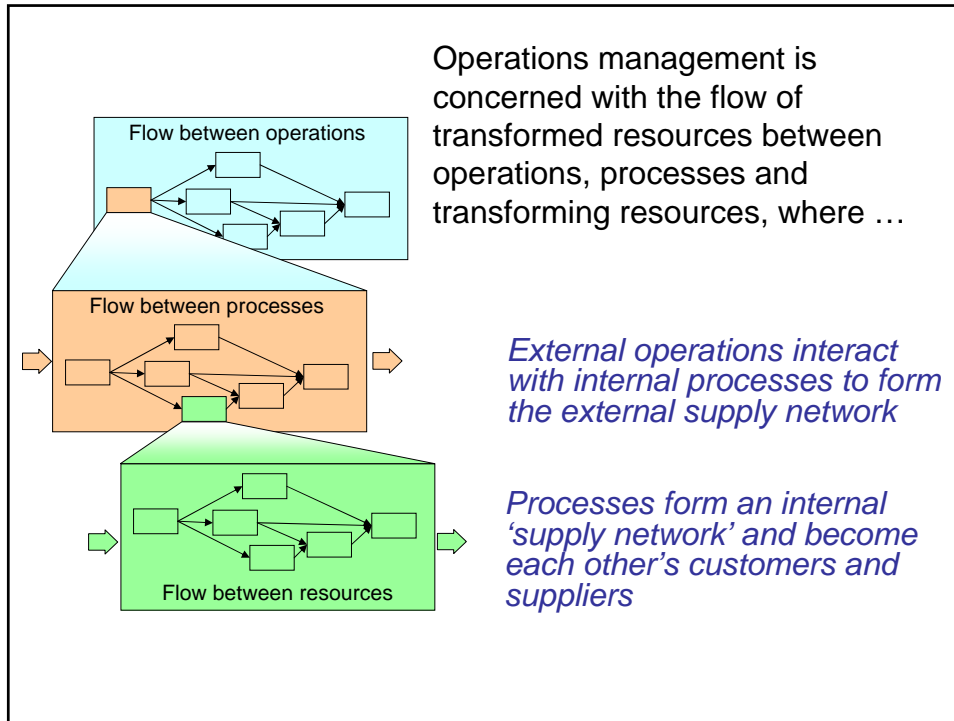


## The output from most operations is a mixture of products and services



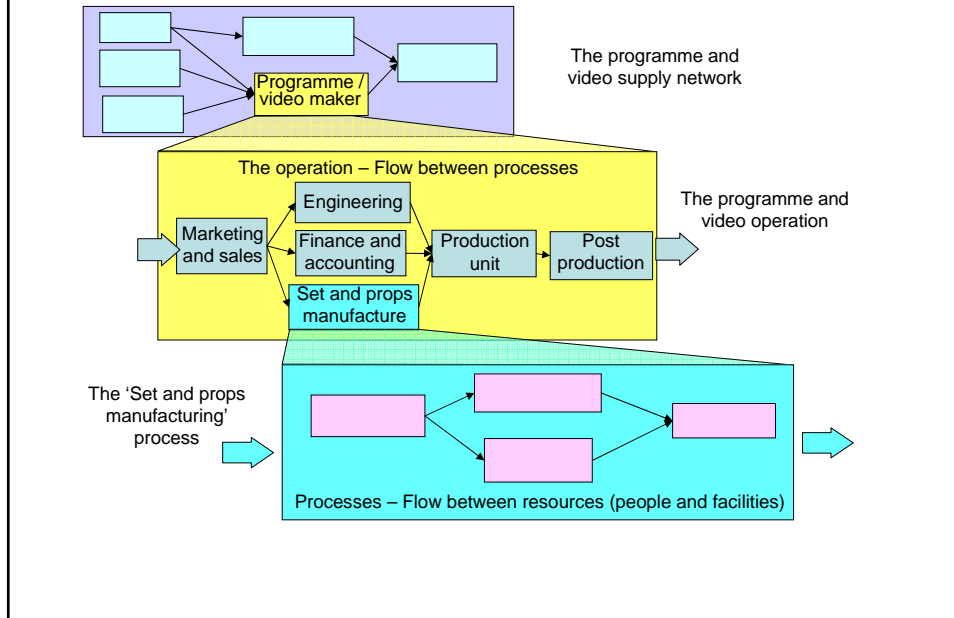
## Operations can be analyzed at three levels



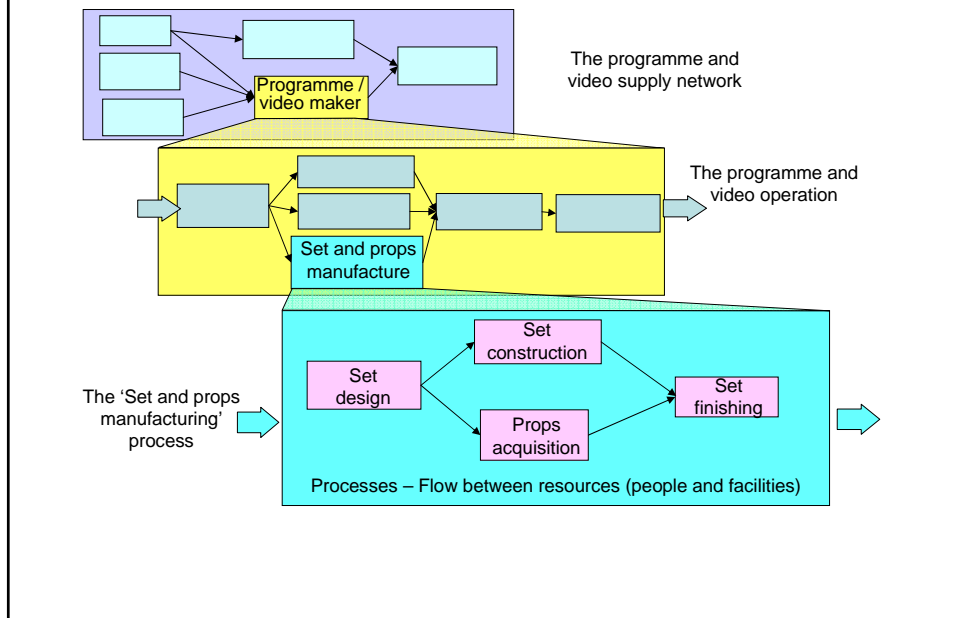


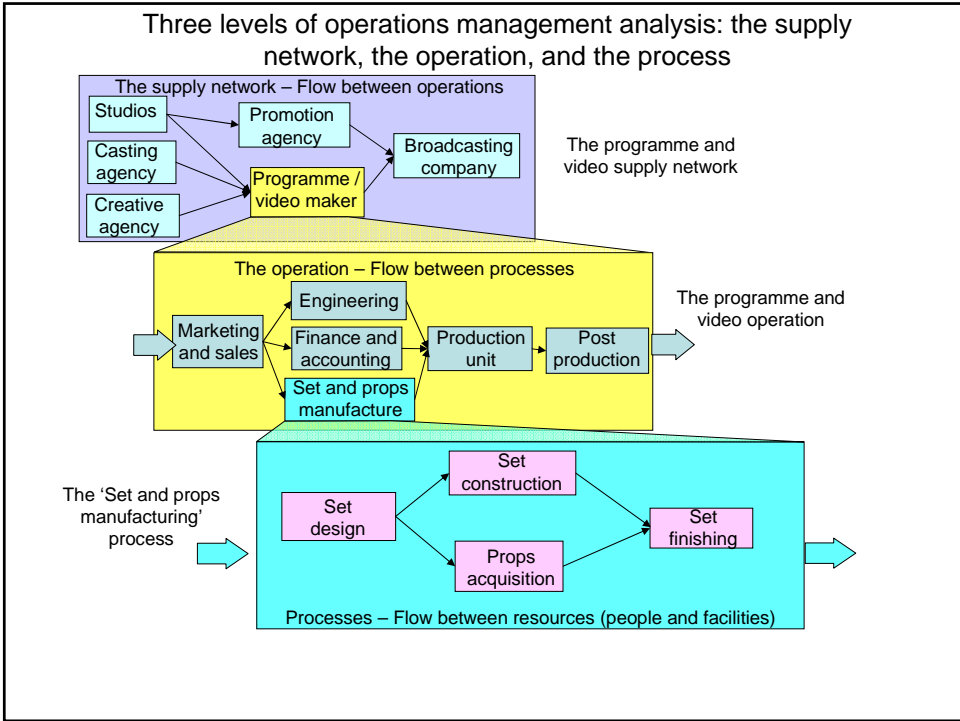


### Three levels of operations management analysis: the supply network, the operation, and the process









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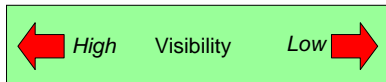
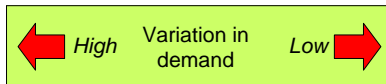
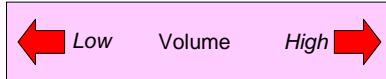




### Differences within sectors are often greater than the differences between sectors

	<b>Financial services</b>	
	<b>Furniture manufacturing</b>	
	<b>Hotels</b>	

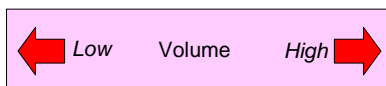
## A Typology of Operations



## A Typology of Operations

Implications

Low repetition  
Each staff member  
performs more of job  
Less systemization  
High unit costs



Implications

High repeatability  
Specialization  
Capital intensive  
Low unit costs

## A Typology of Operations

Implications

Flexible  
Complex  
Match customer needs  
High unit costs



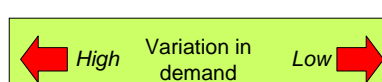
Implications

Well defined  
Routine  
Standardized  
Regular  
Low unit costs

## A Typology of Operations

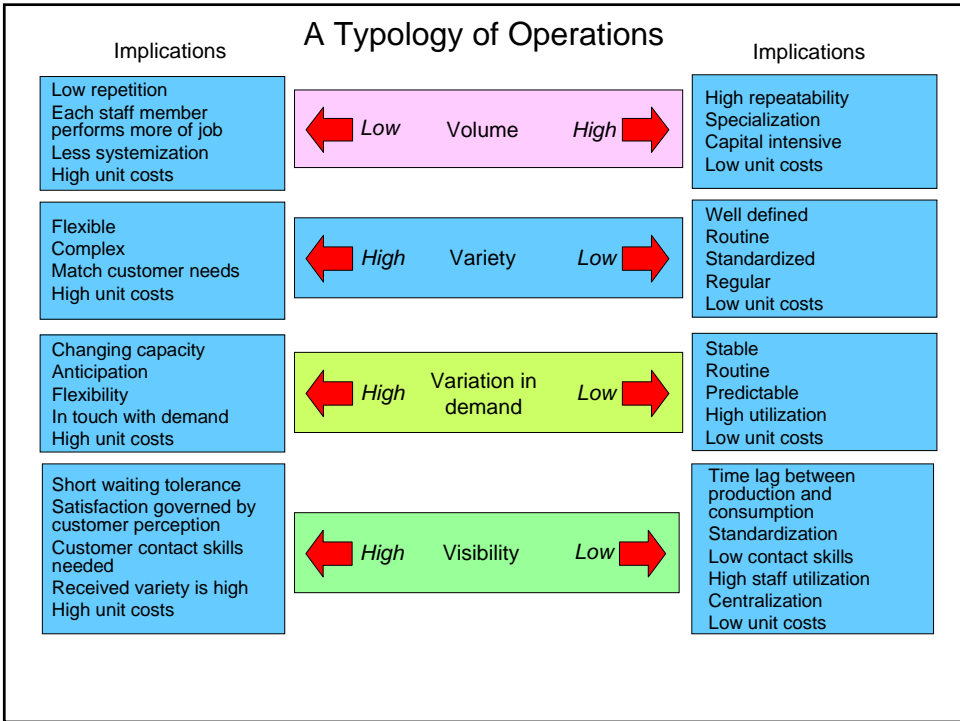
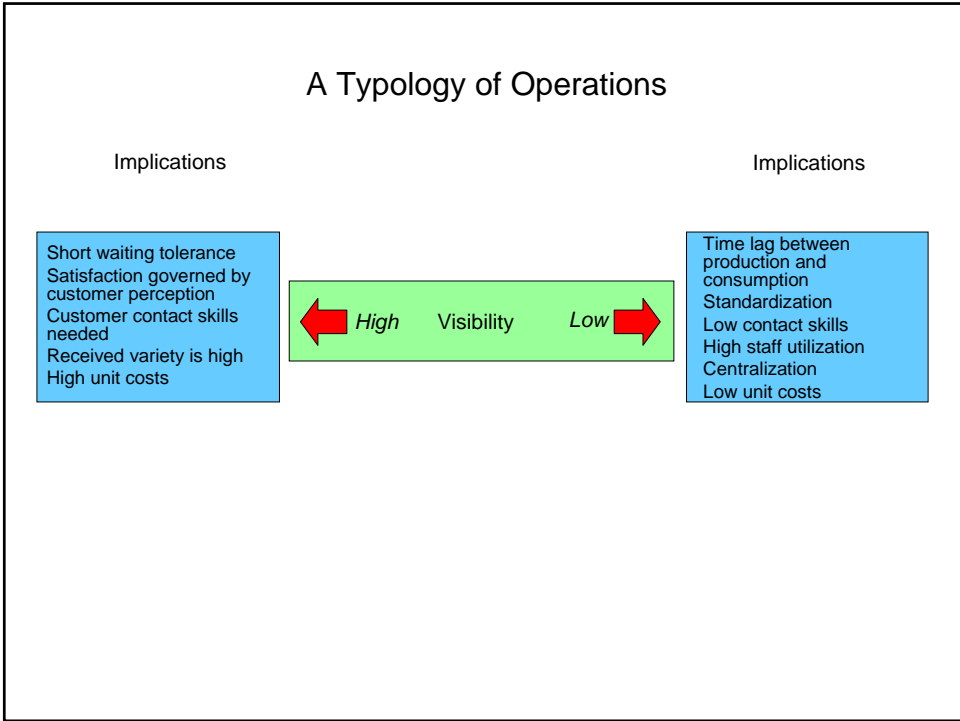
Implications

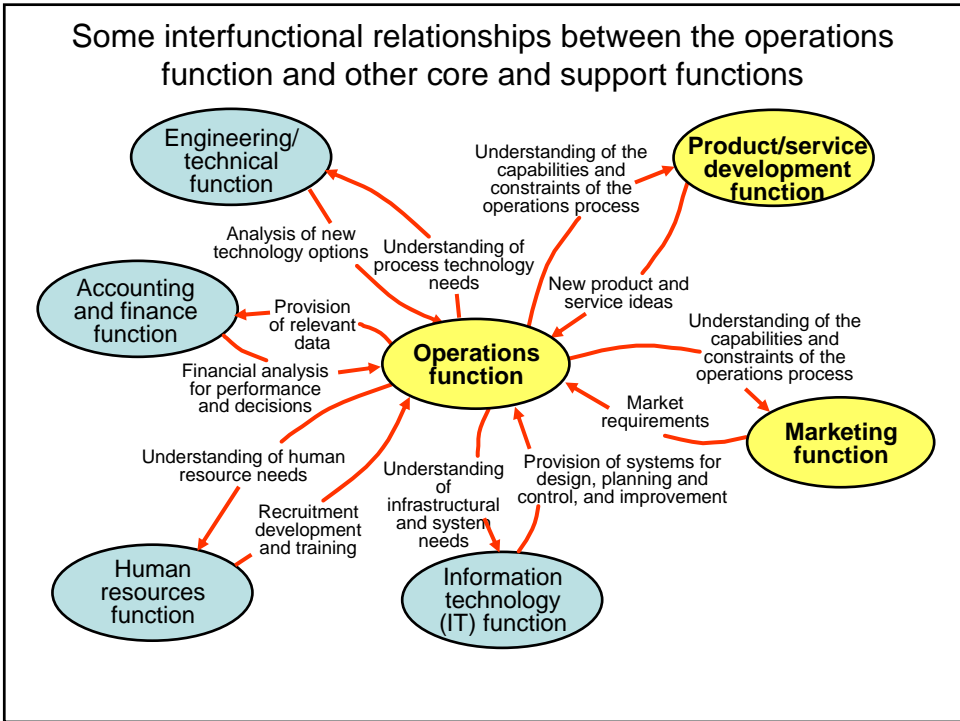
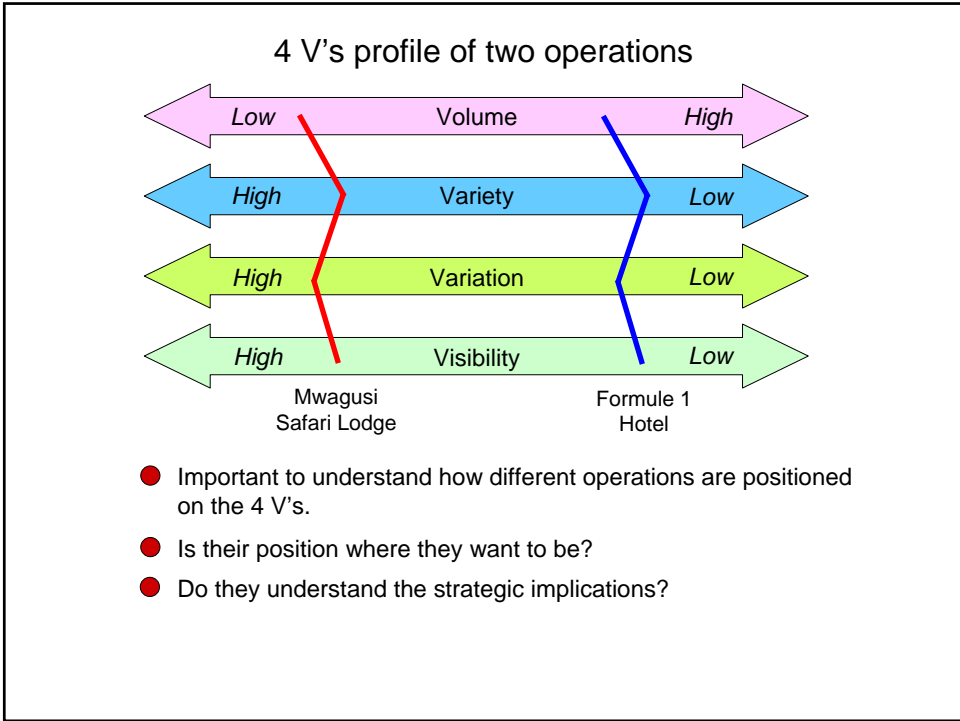
Changing capacity  
Anticipation  
Flexibility  
In touch with demand  
High unit costs

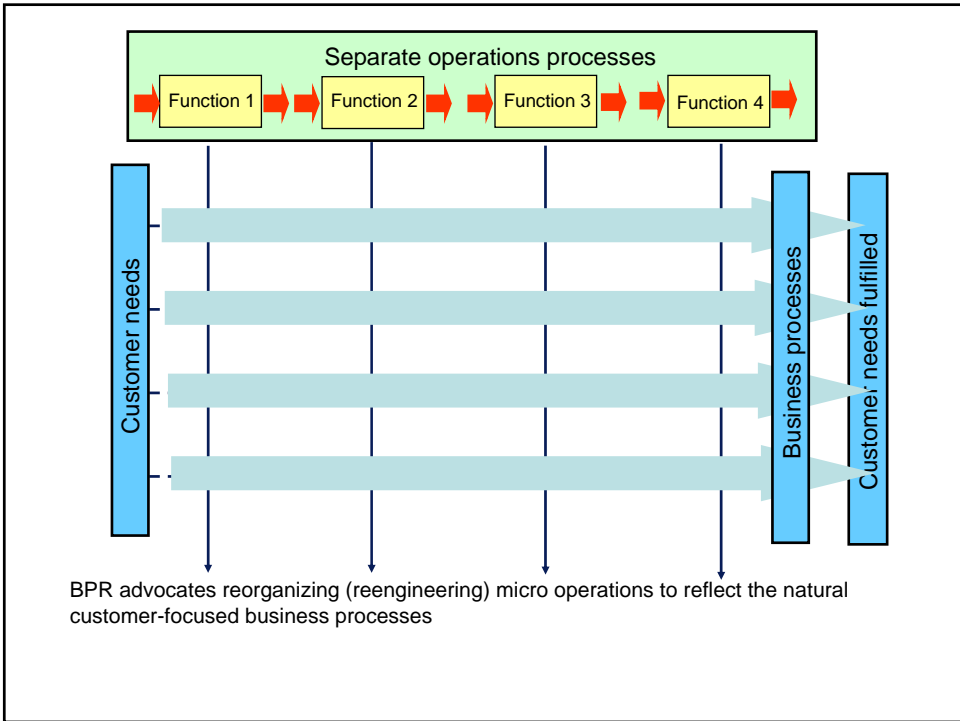
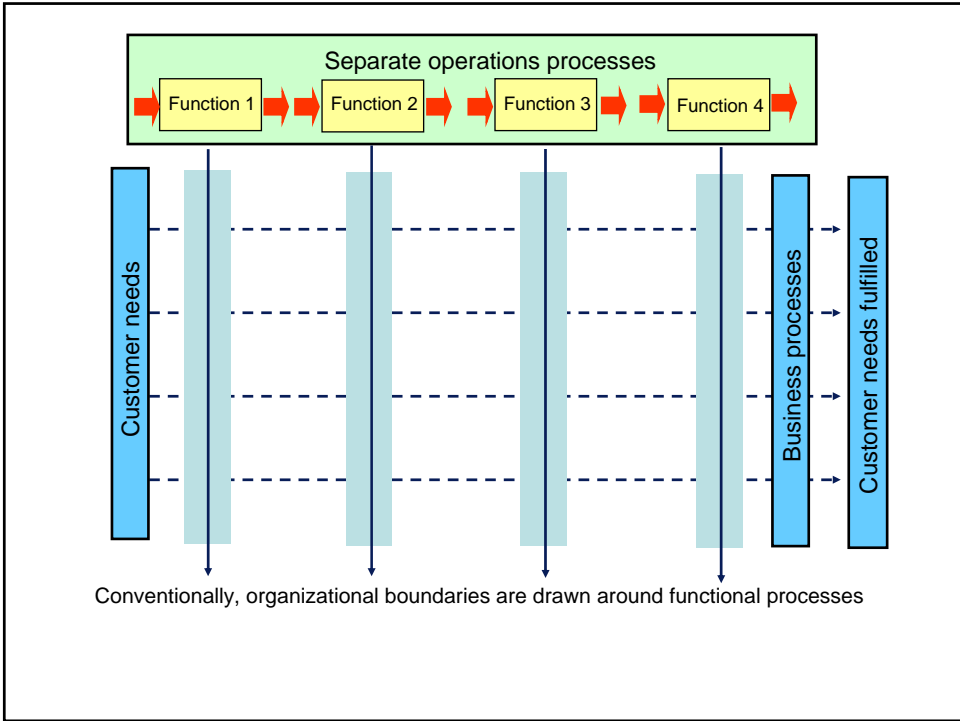


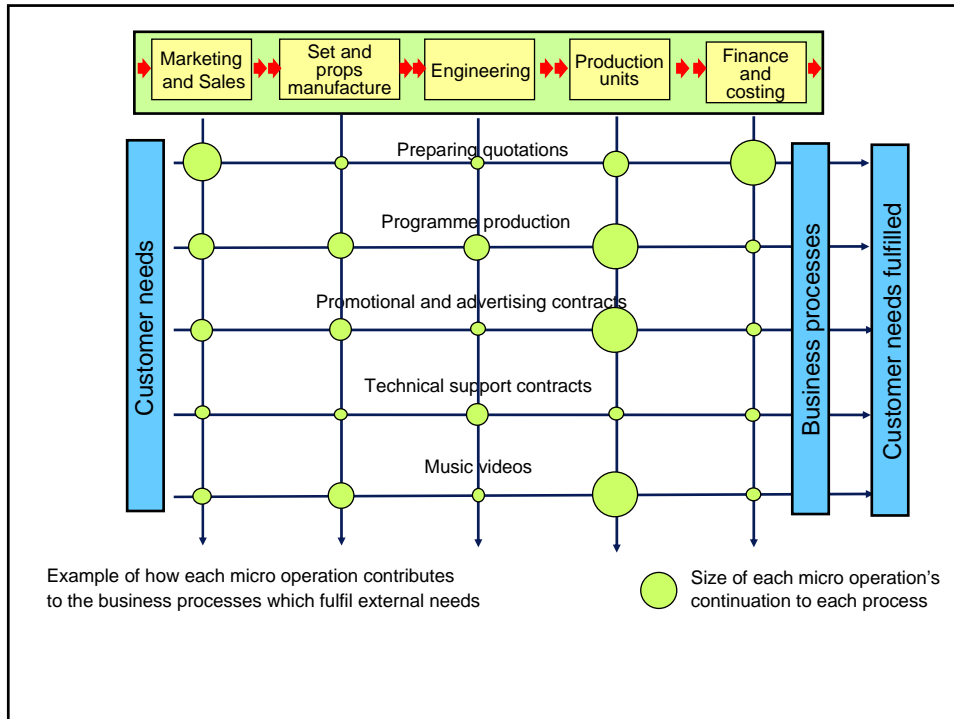
Implications

Stable  
Routine  
Predictable  
High utilization  
Low unit costs









## Key Terms Test

### Operations management

The activities, decisions and responsibilities of managing the production and delivery of products and services.

### Operations function

The arrangement of resources that are devoted to the production and delivery of products and services.

### Operations managers

The staff of the organization who have particular responsibility for managing some or all of the resources which comprise the operation's function.



## Key Terms Test

### **Support functions**

The functions that facilitate the working of the core functions, for example, accounting and finance, human resources, etc.

### **Broad definition of operations**

All the activities necessary for the fulfilment of customer requests.

### **Transformation process model**

Model that describes operations in terms of their input resources, transforming processes and outputs of goods and services.

## Key Terms Test

### **Transformed resources**

The resources that are treated, transformed or converted in a process, usually a mixture of materials, information and customers.

### **Input resources**

The transforming and transformed resources that form the input to operations.

### **Transforming resources**

The resources that act upon the transformed resources, usually classified as facilities (the buildings, equipment and plant of an operation) and staff (the people who operate, maintain and manage the operation).

## Key Terms Test

### **Tangibility**

The main characteristic that distinguishes products (usually tangible) from services (usually intangible).

### **Facilitating services**

Services that are produced by an operation to support its products.

### **Facilitating products**

Products that are produced by an operation to support its services.

## Key Terms Test

### **Processes**

An arrangement of resources that produces some mixture of goods and services.

### **Supply network**

The network of supplier and customer operations that have relationships with an operation.

### **Internal supplier**

Processes or individuals within an operation that supply products or services to other processes or individuals within the operation.

## Key Terms Test

### **Internal customer**

Processes or individuals within an operation that are the customers for other internal processes or individuals' outputs.

### **Hierarchy of operations**

The idea that all operations processes are made up of smaller operations processes.

### **'End-to-end' business processes**

Processes that totally fulfil a defined external customer need.

## Key Terms Test

### **Business process reengineering**

The philosophy that recommends the redesign of processes to fulfil defined external customer needs.

### **Volume**

The level or rate of output from a process, a key characteristic that determines process behaviour.

### **Variety**

The range of different products and services produced by a process, a key characteristic that determines process behaviour.

## Key Terms Test

**Systemization**

The extent to which standard procedures are made explicit.

**Standardization**

The degree to which processes, products or services are prevented from varying over time.

**Customer contact skills**

The skills and knowledge that operations staff need to meet customer expectations.

## Key Terms Test

**Front-office**

The high-visibility part of an operation.

**Back-office**

The low-visibility part of an operation.